



CRESTSTREET

Oil + Gas



2008 CORPORATE PROFILE

OIL > GAS > WIND

Excellence

in energy investing



CRESTSTREET

CORPORATE PROFILE

Creststreet specializes in structuring and managing high-quality energy investment products for Canadian and International institutional and high net worth investors. Creststreet has developed industry leading expertise in both conventional and renewable energy investment management. Since its inception in 2000, Creststreet has raised over \$970 million for investment in resource and renewable energy companies. It is Creststreet's mission to structure and manage the highest quality energy-focused investment funds available in the Canadian capital markets.

Oil +

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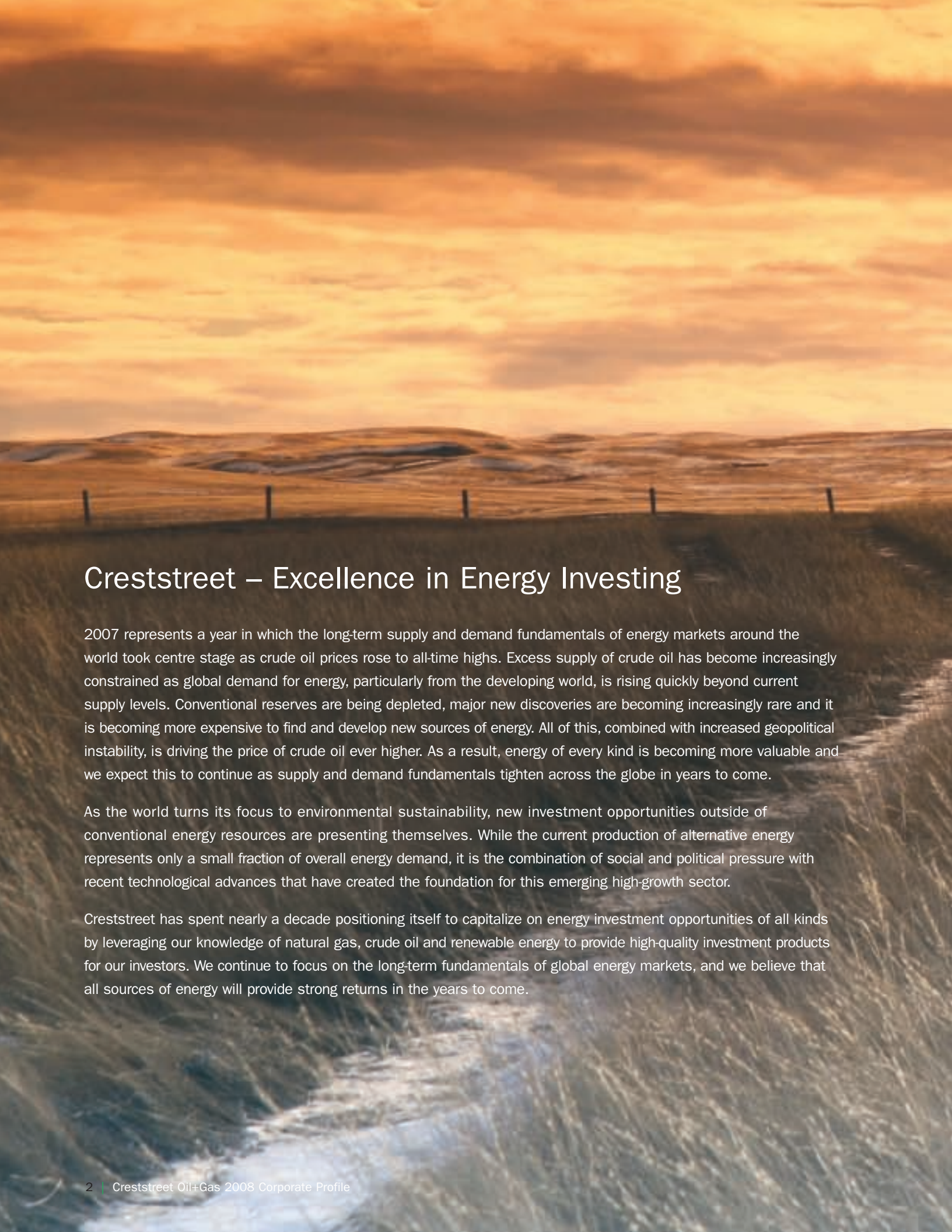
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A large yellow gas pipeline runs horizontally across the middle of the frame, curving downwards on the right side. The pipeline is supported by a metal bracket. In the background, a large, rugged, light-colored rock formation rises against a clear blue sky. The foreground and middle ground are filled with green trees and shrubs. The overall scene is brightly lit, suggesting a sunny day.

Gas

This document contains the opinion of Creststreet Asset Management Limited as of March 5, 2008, and, accordingly, is subject to change after such date. Certain statements contained in this document constitute “forward-looking statements” within the meaning of the Securities Act (Ontario). These statements, by their nature, are not guarantees of future performance and involve risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. We consider the assumptions on which these forward-looking statements are based to be reasonable, but caution the reader that these assumptions regarding future events, many of which are beyond our control, may ultimately prove to be incorrect. However, Creststreet Asset Management Limited expressly disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. This document includes market and industry data that has been obtained from third party sources. Although Creststreet Asset Management Limited believes such information to be reliable, it has not independently verified any of the data from third party sources, and references to any publications, reports, surveys or articles prepared by third parties should not be construed as depicting the complete findings of the entire publication, report, survey or article. The indicated rates of return are the historical annual compound total returns including changes in share or unit value and reinvestment of all distributions and does not take into account sales, redemption, distribution or operational charges or income taxes payable by any security holder that would have reduced returns. Mutual funds and investment funds are not guaranteed, their values change frequently and past performance may not be repeated. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. This document is for information purposes only and does not constitute an offer to sell or a solicitation to buy the securities referred to herein. Creststreet Asset Management Limited is a wholly owned subsidiary of Creststreet Capital Corporation.

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Creststreet – Excellence in Energy Investing

2007 represents a year in which the long-term supply and demand fundamentals of energy markets around the world took centre stage as crude oil prices rose to all-time highs. Excess supply of crude oil has become increasingly constrained as global demand for energy, particularly from the developing world, is rising quickly beyond current supply levels. Conventional reserves are being depleted, major new discoveries are becoming increasingly rare and it is becoming more expensive to find and develop new sources of energy. All of this, combined with increased geopolitical instability, is driving the price of crude oil ever higher. As a result, energy of every kind is becoming more valuable and we expect this to continue as supply and demand fundamentals tighten across the globe in years to come.

As the world turns its focus to environmental sustainability, new investment opportunities outside of conventional energy resources are presenting themselves. While the current production of alternative energy represents only a small fraction of overall energy demand, it is the combination of social and political pressure with recent technological advances that have created the foundation for this emerging high-growth sector.

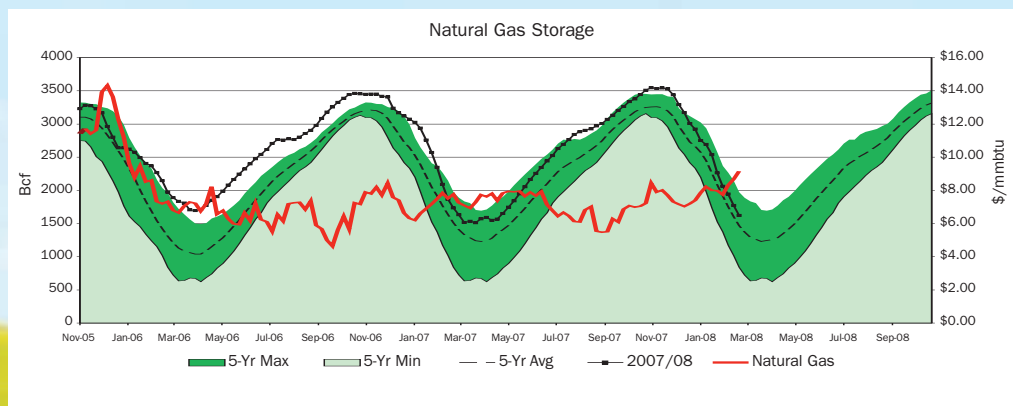
Creststreet has spent nearly a decade positioning itself to capitalize on energy investment opportunities of all kinds by leveraging our knowledge of natural gas, crude oil and renewable energy to provide high-quality investment products for our investors. We continue to focus on the long-term fundamentals of global energy markets, and we believe that all sources of energy will provide strong returns in the years to come.



- > 2007 was a tumultuous year for the broader equity markets as the subprime credit crisis created shock waves through the financial markets and economic data pointed to the potential for a U.S. recession. Central banks around the world took measures to try and preserve economic health and calm financial markets. Despite the potential negative effects that a U.S. recession could have on the global economy, growth in energy demand from key developing countries such as Brazil, Russia, India and China continues to be robust, driving international energy prices.

Global growth in energy demand continues to accelerate, driven by rapidly expanding economies in the developing world. Many analysts now believe that this accelerated demand will continue to outpace the world's growth in available energy supply for the foreseeable future which will serve to drive energy prices even higher. Commodity strength throughout the year has reinforced our belief that any weakness in energy markets is short-term in nature and the long-term fundamental health of both global and North American energy markets remain intact.

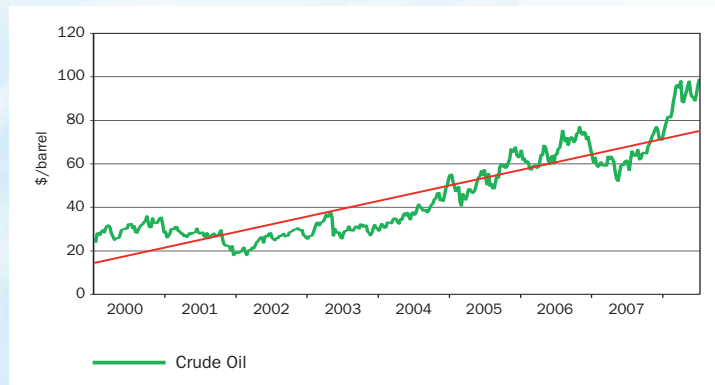
New York Mercantile Exchange (“NYMEX”) natural gas prices advanced 18.8% in 2007, to close the year at \$7.48/mmbtu, showing signs of improving strength and recovery during the year. This strong performance by the commodity is a recovery from the weakness experienced in 2006, the result of high inventory surplus and warm weather. Drilling economics in the United States remain attractive at current prices, while economics in Canada are now beginning to look much more favourable. As expected, a reduction in both drilling activity and imports of Liquefied Natural Gas (“LNG”), combined with strong weather-adjusted demand, have helped to drive prices higher and reduce storage levels towards more normalized levels for the first time in more than two years.



Source: Energy Information Administration



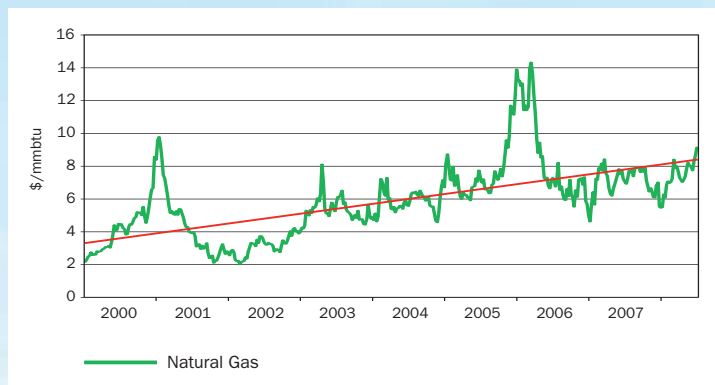
Crude oil prices were also very strong during 2007, as NYMEX light sweet crude oil advanced 57.2%, to close the year at \$95.98 before touching \$100 per barrel subsequent to year-end. Historically, the world has enjoyed a strong surplus in productive capacity for crude oil, a cushion which has declined significantly in the last five years. As a result of this limited spare capacity, and due to continued geopolitical instability, markets remain wary of supply disruption risk and have driven prices to all-time highs. With the rise in oil prices significant amounts of capital flowed into oil-weighted companies, in particular companies with exposure to the Canadian oilsands, driving stocks higher.



Source: Reuters

Over the past several years, the valuations of junior Canadian natural gas companies have languished due to a combination of low natural gas prices resulting from high storage levels, rising service costs, less favourable takeover economics from royalty trusts and the introduction of increased oil and gas royalties by the Alberta Government. Creststreet flow-through portfolios have historically been heavily weighted toward natural gas producers and, as a result, the performance of these funds has suffered for the past several years.

More recently, we are seeing signs of a recovery in Canadian natural gas equity markets due to recent commodity price strength and improving drilling economics. Industry consolidation that began to develop in the fall of 2007, continued through to the end of the year. This is an important step in the recovery process as companies recognize that, at current valuations, growth through acquisition is cheaper than drilling new wells.



Source: Reuters



Outlook

Although 2007 was a volatile year for financial markets, the energy sector continued to outperform most sectors of the economy. Clear trends have emerged that continue to point to a healthy future for the energy markets. In Canada, with declining service costs and more normalized natural gas storage levels, the prospects for investing in Canadian natural gas equities have improved dramatically. As the environment for natural gas producers in Western Canada continue to improve, we believe that equity valuations in the sector will also begin to strengthen; not just through growth in cash flow and net assets, but through an expansion in valuation multiples which are now at the low end of their historical range.

We continue to believe that energy investors will be well rewarded over the long-term and should maintain an overweight exposure to the energy sector.

Respectfully,

A handwritten signature in black ink, appearing to read 'R. Toole'.

Robert J. Toole
Managing Director
Creststreet Asset Management Limited
March 1, 2008

Creststreet Energy Hedge Funds

- > 2007 concluded the third successful year of operations for Creststreet Energy Hedge Funds with an **annual return of 41.17%**, making it one of the **Top Ten** performing **Global** Energy Hedge Funds of the year in **Barclay's Global Energy Hedge Fund Rankings**.

In May 2005, Creststreet launched the Creststreet Energy Hedge Fund L.P for accredited investors resident in Canada. In November 2005, the Creststreet Offshore Energy Hedge Fund Inc. was launched for non-Canadian and non-U.S. institutional investors. These Creststreet Energy Hedge Funds, collectively the “Funds”, have identical investment portfolios and are managed on a *pari-passu* basis.

These Funds employ a long/short strategy that seeks to generate returns by focusing on the specific movements in equity prices of companies operating in the Canadian and international energy sector. The Funds take advantage of Creststreet's extensive knowledge of the global energy markets by seeking out investment opportunities around the world in various energy sub-sectors.





In 2007, the Funds employed a strategy of seeking out opportunity-rich energy companies with international assets as a means of capturing alpha. The Funds had less exposure to the Canadian energy markets due to the weakness that has persisted in its domestic junior oil and natural gas equities. The Funds have also benefited from the success of oilsands-focused development companies, a trend which we expect to continue as large companies consolidate their positions in this world-class asset.

With market fundamentals now beginning to improve in domestic energy markets, the Funds are again beginning to take selective positions in Canadian junior companies to take advantage of the industry consolidation which has already begun, as well as the anticipated recovery in equity valuations as underlying Canadian energy industry commodity fundamentals continue to improve.

Creststreet Energy Hedge Funds continue to be exceptionally well positioned to generate strong returns in the years ahead by leveraging Creststreet's proven expertise and experience in managing long/short energy equity portfolios with exposure in both domestic and international energy markets.



Creststreet Mutual Funds Limited

- > Creststreet Mutual Funds Limited is an open-ended, multi-class mutual fund. The mutual fund has four classes – Creststreet Resource Fund, Creststreet Alternative Energy Fund, Creststreet Managed Income Fund and Creststreet Managed Equity Index Fund. The mutual fund presently has a total net asset of \$107 million.

Creststreet Resource Fund

- > Creststreet Resource Fund (the “Resource Fund”) is ideal for investors who are seeking long-term capital growth through exposure to the global energy sector, with emphasis on North American energy markets and natural gas in particular. The Resource Fund employs a long-term, value-oriented “bottom-up” approach to investing with analysis focusing on management quality, equity specific valuations and industry fundamentals.

After a challenging year in 2006, the Resource Fund posted improved returns in 2007 by increasing exposure to oil-weighted producers, select high-growth alternative energy positions and high-growth Canadian oilsands-related companies. Canadian natural gas equities were weak through 2006, and much of 2007, due to high capital costs, low commodity prices and changes to Alberta’s royalty regime. We are now seeing encouraging signals that North American natural gas markets are returning to their long-term upwards trend. Creststreet expects the reduced natural gas storage inventory levels experienced this winter to lead to higher natural gas prices and strengthened equity valuations in the Canadian junior energy sector over the next several years. **As these fundamentals continue to improve, Creststreet Resource Fund is well-positioned to benefit from improved underlying growth in energy producers and improved market valuations of Canadian energy-related equities.**





Creststreet Alternative Energy Fund

- > Creststreet Alternative Energy Fund (the “Alternative Energy Fund”) is ideal for investors who are seeking exposure to alternative sub-sectors of the energy market with potential for long-term capital appreciation.

The Alternative Energy Fund provides investors with exposure to a broad array of investments in sub-sectors of the energy market outside of conventional oil and natural gas. The investment objective is to provide stable long-term growth of capital while conservatively managing value at risk. The Alternative Energy Fund invests primarily in North American issuers whose businesses focus on generating energy outside of conventional carbon-emitting fuel sources. The Manager is uniquely able to leverage its investment management expertise along with its renewable energy development experience to focus on this high-growth sub-sector of the energy markets.

Creststreet Alternative Energy Fund employs a “Growth at a Reasonable Price” investment strategy and evaluates opportunities using a “top-down” approach whereby market fundamentals are thoroughly analyzed with the aim of exploiting attractive economics before broader markets take interest in a company and drive the stock higher.

Alternative sub-sectors of the energy markets are expected to continue to see rapid technological improvements as these sources of energy become increasingly viable options to supply the world’s energy demand. **By focusing on all types of alternative energy, the Alternative Energy Fund will continue to position itself to benefit from the strong returns that are characteristic of leaders in each field.**

Environmental issues continue to be at the top of the agenda for many countries around the world, and Creststreet believes that this trend will continue well into the future. Governments are now recognizing the increased urgency with which they must invest in clean energy, and companies around the world are becoming quick to respond to the incentives to develop and exploit new alternate and environmentally sound sources of energy. The trends being seen in the alternative energy space are only the beginning of what will become an evolution in how the world sources its energy. Creststreet will be well-positioned to benefit from these trends as they develop in the future.



Creststreet Managed Income Fund

- > Creststreet Managed Income Fund (the “Managed Income Fund”) is ideal for investors who are seeking stable income in the form of regular monthly distributions, with a focus on capital preservation and the potential for capital appreciation.

The Managed Income Fund employs a value-based approach to investing with emphasis on management quality, industry fundamentals and business exposure. Relative valuations and industry-specific measures are used to assess holdings which have the ability to sustain and/or grow distributions while showing accretion in the value of their units.

The income trust market in Canada experienced a volatile year in 2007 as did the broader equity markets. The S&P/TSX Capped Income Trust Index (the “Index”) declined 2.7% for the year **while Creststreet Managed Income Fund had a very positive year, advancing 13.4%** for the same period, assuming that all distributions were reinvested into shares of the Managed Income Fund.

The Managed Income Fund employed a strategy of identifying and holding take-out candidates in the business trust sector in order to capitalize on the strong and sustainable yield, as well as the consolidation that occurred during the year. The Managed Income Fund remained cautious with respect to natural gas weighted royalty trusts due to weakness in the Canadian gas market given high capital costs and low commodity prices. A number of royalty trusts elected to cut distributions over the course of the year due to stretched balance sheets as a result of previous weakness in natural gas prices. Distributions of other royalty trusts continue to appear at risk for the same reason.

Creststreet continues to monitor the income trust markets very closely and will continue to seek out strong yields, as well as capital appreciation across all sectors of the market.





Creststreet Managed Equity Index Fund

- > Creststreet Managed Equity Index Fund (the “Managed Equity Index Fund”) is ideal for investors who are seeking long-term growth of capital through investment in a portfolio of equity market index units.

The Managed Equity Index Fund combines active and passive fund management styles with the goal of providing investors with long-term growth of capital by investing in index participation units, in addition to common stocks and convertible debentures of Canadian and International companies. The Managed Equity Index Fund may invest up to 70% in Index participation units in the Canadian, U.S. or foreign equity markets. To enhance diversification, up to 30% of the Managed Equity Index Fund's net assets may be actively managed and fixed income securities may be used during periods of high market volatility to protect capital while awaiting more favourable market conditions.

Global equity markets experienced a very volatile year in 2007, during which the S&P/TSX Composite Index (the “Canadian Index”) advanced 7.2%, while Creststreet Managed Equity Index returned 4.6%. During the year, Creststreet Managed Equity Index Fund opted to maintain exposure to broad domestic and foreign equity markets. The Managed Equity Index Fund's major position was in the Canadian Index, which is weighted heavily to the energy and financial sectors. The Canadian markets experienced strong performance from large capitalization energy names, as well as metals and mining corporations, results which were tempered slightly by weaker performance from the financial sector. The Managed Equity Index Fund remained diversified with positions in index funds that contain a wide range of stocks from Europe, Australasia and the Far East. The Managed Equity Index Fund also maintained a small exposure (6.8%) to the S&P 500 Index. Investments in the latter two index funds are hedged to Canadian dollars in order to eliminate foreign currency risk. The Managed Equity Index Fund did not choose to hold equity investments, other than index participation units.



Creststreet

Energy Flow-through Funds

- > Creststreet has been a leader in structuring and managing flow-through limited partnerships for Canadian resident taxpaying investors. To date Creststreet has raised over \$375 million through eleven partnerships since 2000, which have generated an average after-tax return of 13.0% for investors.

In June 2007, the Creststreet 2007 Limited Partnership completed its public offering of units, raising \$58 million for investment in flow-through shares of Canadian energy companies. The proceeds from this offering were substantially invested by December 31, 2007, generating tax deductions applicable to the 2007 taxation year for limited partners. The Creststreet 2007 Limited Partnership was invested both with the goal of taking advantage of the very attractive returns being seen in oil-weighted producers, as well as with the aim of benefiting from the recovery in valuations that is anticipated in equities of junior natural gas issuers as fundamentals continue to improve. This Partnership is scheduled to roll into the Creststreet Resource Fund in January 2009.

In January 2008, the assets of the Creststreet 2006 Limited Partnership and the Creststreet 2006 (II) Limited Partnership were exchanged for shares of the Creststreet Resource Fund. At the time of rollover, investors in Creststreet 2006 Limited Partnership received 0.4900 shares of Creststreet Resource Fund in exchange for each unit held, and investors in Creststreet 2006 (II) Limited Partnership received 0.7225 shares of Creststreet Resource Fund in exchange for each unit held.

The Creststreet 2006 and 2006 (II) Limited Partnerships experienced difficult market conditions during their investment cycle as their portfolios were invested with a strong focus on natural gas weighted issuers. Investment occurred in 2006, when commodity prices and equity valuations were higher. The investment portfolios of these Partnerships were adversely affected by falling natural gas prices, rising exploration and operating costs, reduced valuations of energy royalty trusts as a result of tax changes announced by the Canadian Federal Government and more recently, by adverse affects of the new Alberta Royalty Regime for conventional oil and gas producers.





Weakness in the equities of Canadian natural gas producers persisted through much of 2007; however, the market is now showing encouraging signs of a recovery. Natural gas storage levels have now fallen into more normalized ranges and natural gas prices have strengthened significantly.

The Creststreet Resource Fund maintains a diversified portfolio of assets exposed to both international and domestic oil and gas opportunities, high-growth alternative energy sectors, as well as selective positions in high-quality Canadian natural gas producers and companies with exposure to Canada's world class oilsands resources.

We continue to recommend that investors retain their shares of the Creststreet Resource Fund to benefit from the continued recovery of natural gas prices and the energy sector generally, over the next several years.

In December 2007, Creststreet filed a prospectus for the Creststreet 2008 Limited Partnership which proposes to raise up to \$50 million for investment in flow-through shares of Canadian energy companies. This fund is targeting an equal balance between natural gas and oil weighted producers, and may also include some mining and renewable energy investments.



Board of Directors

Jeffrey S. Boyce

President and Chief Executive Officer
SURE Energy Inc.

Stuart P. Hensman²

Corporate Director

John E. Thompson¹

President and Chief Executive Officer
Sirius Energy Inc.

Robert J. Toole

Managing Director
Creststreet Capital Corporation

Officers

Robert J. Toole, C.A.

President and Chief Executive Officer

Donna Shea, C.A.

Vice-President, Finance and
Chief Financial Officer

Aaron C.B. Maybin

Vice-President

Sheryl Chiddenton

Secretary and Treasurer

Fund Symbols

CAM 100, CAM 107, CAM 108,
CAM 200, CAM 300, CAM 400

Legal Counsel

McCarthy Tétrault LLP
Toronto, Ontario

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KPMG LLP
Toronto, Ontario

Legend

¹ Member of audit committee

² Chair of audit committee



CRESTSTREET



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Auditors' Report to the Partners

Auditors' Report to the Shareholders

We have audited the statements of net assets of Creststreet Energy Hedge Fund L.P. as at December 31, 2007 and 2006, the statement of investment portfolio as at December 31, 2007, and the statements of operations and changes in net assets for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets of the Partnership as at December 31, 2007 and 2006, the investments held as at December 31, 2007, and the results of its operations and changes in net assets for the years ended December 31, 2007 and 2006 in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Toronto, Canada

February 28, 2008

Statements of Net Assets

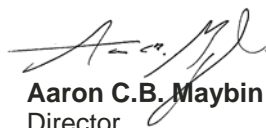
As at December 31	2007	2006
Assets:		
Investments in securities (cost: \$4,089,227 (2006 - \$3,744,956))	\$ 5,662,840	\$ 3,872,007
Cash and cash equivalents	176,817	1,741,324
Due from broker	1,076,793	766,400
Interest receivable	-	6,585
	6,916,450	6,386,316
Liabilities:		
Securities sold short (proceeds: \$1,036,967 (2006 - \$1,551,106))	1,026,349	1,518,739
Due to broker	953,472	279,260
Accounts payable and accrued liabilities	57,462	43,174
Redemptions payable	163,205	-
Performance fee payable	12,841	831
	2,213,329	1,842,004
Net assets, GAAP NAV (note 2)	\$ 4,703,121	\$ 4,544,312
Adjustment from last traded market prices to bid/ask market prices	72,365	-
Net assets, Pricing NAV (note 2)	\$ 4,775,486	\$ 4,544,312
Net assets (Pricing NAV) comprised of:		
- Series I	\$ 1,109,547	\$ 1,309,541
- Series II	177,505	126,596
- Series III	1,397,419	1,233,922
- Series IV	455,353	367,419
- Series V	-	201,229
- Series VI	500,661	356,110
- Series VII	-	116,758
- Series VIII	-	103,089
- Series IX	132,167	
- Series X	102,842	
- Series 911	899,992	729,648
Total net assets	\$ 4,775,486	\$ 4,544,312
Units outstanding		
- Series I	75,000	125,000
- Series II	12,340	12,340
- Series III	97,191	120,331
- Series IV	31,458	35,653
- Series V	-	19,339
- Series VI	34,640	34,640
- Series VII	-	11,460
- Series VIII	-	10,031
- Series IX	9,545	
- Series X	6,968	
- Series 911	53,196	62,535
Total units outstanding	320,338	431,329

See accompanying notes to financial statements.

Approved by Creststreet Hedge General Partner Limited on behalf of Creststreet Energy Hedge Fund L.P.



Robert J. Toole
Director



Aaron C.B. Maybin
Director

Statements of Operations

For the years ended December 31	2007	2006
Investment income:		
Interest income	\$ 29,797	\$ 76,387
Other income	16,058	10,865
Dividend income	6,103	12,780
	51,958	100,032
Expenses:		
Management fees (note 4)	83,584	89,934
Interest and borrowing fees	38,391	41,695
Unitholder reporting	34,358	33,376
Service fees (note 4)	21,298	22,490
Performance fees (note 4)	18,237	5,725
Audit fees	12,060	18,500
Dividend expense on securities sold short	11,898	85,808
Administrative expenses	9,402	5,380
Legal fees	1,293	16,168
	230,521	319,076
Loss from investment operations	\$ (178,563)	\$ (219,044)
Realized and unrealized gains (losses) on investments:		
Net realized gain (loss) on investments	819,970	(993,195)
Net change in unrealized appreciation / depreciation of investments	1,434,545	(375,653)
Transaction costs (note 5)	(499,674)	-
Net gain (loss) on investments	1,754,841	(1,368,848)
Increase (decrease) in net assets from operations	\$ 1,576,278	\$ (1,587,892)
Increase (decrease) in net assets from operations comprised of:		
- Series I	\$ 398,496	\$ (528,384)
- Series II	48,583	(49,767)
- Series III	434,238	(485,077)
- Series IV	133,607	(143,288)
- Series V	74,505	(76,335)
- Series VI	138,021	(138,563)
- Series VII	45,932	(44,292)
- Series VIII	(43)	4,089
- Series IX	30,369	-
- Series X	1,529	-
- Series 911	271,041	(126,275)
Total	1,576,278	(1,587,892)
(Decrease) increase in net assets per unit from operations comprised of:		
- Series I	\$ 3.74	\$ (4.23)
- Series II	3.94	(4.03)
- Series III	3.79	(4.03)
- Series IV	3.92	(4.02)
- Series V	3.85	(3.95)
- Series VI	3.98	(4.00)
- Series VII	4.01	(3.86)
- Series VIII	-	0.41
- Series IX	3.18	-
- Series X	0.22	-
- Series 911	4.84	(2.02)

See accompanying notes to financial statements.

Statements of Changes in Net Assets

For the years ended December 31	2007	2006
Net assets, beginning of year	\$ 4,544,312	\$ 5,613,323
Initial adoption of new accounting policy (note 2)	(9,733)	
Operations:		
Increase (decrease) in net assets from operations	1,576,278	(1,587,892)
Capital transactions:		
Proceeds from issue of units	200,000	1,063,144
Redemptions	(1,607,736)	(543,263)
Issue costs	-	(1,000)
	(1,407,736)	518,881
Increase (decrease) in net assets	168,542	(1,069,011)
Net assets, end of year - GAAP NAV (note 2)	\$ 4,703,121	\$ 4,544,312
Adjustment from bid market prices to last traded market prices	72,365	-
Net assets, end of year - Pricing NAV (note 2)	\$ 4,775,486	\$ 4,544,312

See accompanying notes to financial statements.

Statement of Investment Portfolio

As at December 31, 2007

Description	Number of Securities	Type of Securities	Cost / (proceeds)	Market Value
Investments in securities				
Athabasca Oil Sands Corp.	115,000	Warrants	\$ -	\$ 855,600
Athabasca Oil Sands Corp.	91,700	Common shares	91,700	796,873
Sabretooth Energy Ltd.	241,170	Common shares	486,469	494,399
Petro Andina Resources Inc.	29,850	Common shares	391,417	366,558
Mahalo Energy Ltd.	150,120	Common shares	415,636	355,784
Solana Resources Limited	145,130	Common shares	326,267	336,702
Cirrus Energy Corporation	126,250	Common shares	387,552	336,456
Laricina Energy Ltd.	9,000	Common shares	198,000	292,500
Coastal Energy Company	60,750	Common shares	212,625	264,870
Pacific Stratus Energy Ltd.	21,300	Common shares	285,354	260,712
TriStar Oil & Gas Ltd.	20,800	Common shares	252,720	260,416
Kereco Energy Ltd.	60,150	Common shares	243,029	234,585
ARISE Technologies Corporation	78,000	Common shares	164,467	197,340
Zongshen PEM Power Systems Inc.	62,510	Common shares	207,251	195,656
Serica Energy PLC	77,390	Common shares	162,519	143,945
OPEL International Inc.	77,400	Common shares	153,330	136,998
Global Alumina Corporation	52,000	Common shares	100,746	102,242
Officer Basin Energy	36,710	Common shares	27,533	31,204
Officer Basin Energy	36,710	Warrants	-	-
Transaction costs			(17,388)	
Total investments in securities			\$ 4,089,227	\$ 5,662,840
Securities sold short				
ProEx Energy Ltd.	(14,000)	Common shares	\$ (177,745)	\$ (165,900)
Petro-Canada	(2,730)	Common shares	(144,496)	(145,482)
Canadian Natural Resources Limited	(2,000)	Common shares	(145,051)	(145,420)
Husky Energy Inc.	(3,250)	Common shares	(144,138)	(145,048)
Talisman Energy Inc.	(7,800)	Common shares	(142,219)	(143,520)
EnCana Corporation	(2,080)	Common shares	(141,605)	(140,566)
Suncor Energy Inc.	(1,300)	Common shares	(140,909)	(140,413)
Transaction costs			(804)	
Total securities sold short			\$ (1,036,967)	\$ (1,026,349)

See accompanying notes to financial statements.

Notes to Financial Statements

For the years ended December 31, 2007 and 2006

1. Creststreet Energy Hedge Fund L.P.

Creststreet Energy Hedge Fund L.P. (the "Partnership") was formed as a limited partnership under the laws of the Province of Ontario on April 1, 2005. The Partnership commenced operations on April 30, 2005. The objective of the Partnership is to provide limited partners with long term capital growth through fundamental securities selection by taking both long and short investment positions in equity, debt and derivative securities and through strategic trading. The Partnership's portfolio will consist primarily of securities of issuers engaged in the global energy sector.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and the following is a summary of significant accounting policies followed by the Partnership.

a. Cash and Cash Equivalents and Other Monetary Balances

The carrying values of cash and cash equivalents, due from and to broker, interest receivable, accounts payable and accrued liabilities, redemptions payable, and performance fee payable approximate their fair values due to the relatively short periods to maturity of the instruments.

b. Valuation of Investments Owned and Sold Short

The Canadian Institute of Chartered Accountants has introduced new accounting standards that govern the reporting of financial assets and liabilities (CICA Handbook Section 3855 – "Financial Instruments – Recognition and Measurement"). The new guidelines are applicable to annual and semi-annual financial statements relating to fiscal years beginning on or after October 1, 2006. Prior to this change in policy, GAAP required actively traded securities to be valued at the price at which it last traded. This applied to securities held long and sold short. Section 3855 requires actively traded securities to be valued at the last available bid price for securities held long and at the last available ask price for securities sold short.

This accounting policy change impacts financial reporting ("GAAP NAV") but does not impact the NAV calculated for purchases and redemptions ("Pricing NAV"). The net difference between valuations using last bid/ask prices and closing price is presented as "Adjustment from bid market prices to last traded market prices" on the Statements of Net Assets and is used to reconcile the GAAP NAV to the Pricing NAV.

This change in accounting policy has been applied prospectively. Prior period balances have not been restated, however, an adjustment has been made to the opening net asset value for the difference at January 1, 2007 on the Statements of Changes in Net Assets.

The complete, amended policy is as follows:

Securities held by the Partnership that are listed on a recognized public securities exchange are valued at their closing bid price or the closing ask price for securities sold short. Securities for which no published market price exists are valued at cost until a third party transaction establishes a different value or unless a different fair market value is determined by the Manager. Any change in value is recorded in "Net change in unrealized appreciation/depreciation of investments" on the statements of operations. Brokers' commissions and other transaction costs are expensed in the period incurred.

c. Investment Transactions and Income Recognition

Investment transactions are accounted for as of the trade date and any realized gains or losses from such transactions are calculated on an average cost basis. Dividend income and dividend expense on securities sold short are recognized on the ex-dividend date and interest income is accrued as earned.

d. Allocation of Partnership Income and Loss

The net profit and loss of the Partnership for each fiscal year is allocated 0.001% to the General Partner and 99.999% to the limited partners. The Partnership is not itself a taxable entity. Accordingly, no provision for income taxes is required.

e. Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

3. Investment Manager

During 2006, Creststreet Investment Management Limited assigned all of its rights and obligations as Investment Manager under the Portfolio Management Agreement to its affiliate Creststreet Asset Management Limited. Creststreet Asset Management Limited acquired the business of Creststreet Investment Management Limited and became the Investment Manager to the Partnership under the Portfolio Management Agreement. There was no change to the services provided by the Investment Manager to the Partnership as a result of the assignment of the Portfolio Management Agreement.

4. Related Party Transactions

The Investment Manager is entitled to receive a management fee equal to 2% per annum of the net asset value of the Partnership on the last business day of the month, calculated and payable monthly in arrears. For the year ended December 31, 2007, the management fee amounted to \$83,584 (2006 – \$89,934).

The Investment Manager is also entitled to receive a performance fee equal to 20% of the increase in the net asset value of each series of units in each month. The performance fee is calculated and accrued monthly and paid quarterly in arrears. If the NAV of a series does not exceed the relevant highwater mark (as defined in the Limited Partnership Agreement) for that series, the Investment Manager will not be entitled to a performance fee in that month. For the year ended December 31, 2007, the performance fee amounted to \$18,237 (2006 – \$5,725).

The Partnership pays a service fee to the Investment Manager, who then remits the amounts to dealers as consideration for the dealers administering the Partnership's assets for clients. The service fee is calculated at a rate of 1.0% per annum of the Partnership's net asset value and is paid as soon as is practical after each calendar quarter based on the number of units held by dealers at the end of the relevant quarter. Service fees are paid to dealers each calendar quarter so long as the total net asset value of the units held by such dealer's clients is at least \$150,000 throughout the relevant quarter. For the year ended December 31, 2007, service fees amounted to \$21,298 (2006 – \$22,490).

5. Brokerage Commissions

Total brokerage fees paid in connection with portfolio transactions for the year ended December 31, 2007 were \$499,674 (2006 – \$300,998).

CICA Handbook Section 3855 requires transaction costs to be disclosed separately on the Statements of Operations. Prior to this change, commissions paid on purchases were included in the cost of securities, commissions paid on sales reduced the net proceeds reported by the Partnership, and total brokers' commissions were disclosed in the notes to the financial statements.

6. Filing Exemption

The Partnership has elected to take a filing exemption available under section 2.11 of National Instrument 81-106. Under the terms of this exemption, the Partnership is not required to file its financial statements with the Ontario Securities Commission.

7. Subscriptions and Redemptions of Units

Units may be purchased as at the close of business on the last business day of each month following the receipt by the General Partner of a completed subscription form and the required payment no later than 4:00pm on a valuation date.

Units must be held for at least 6 months from the date of purchase. Following the initial six month hold period, holders of units may request that such units be redeemed at their net asset value per unit at any valuation date provided that the request for redemption is submitted at least 30 days prior to such valuation date.

Creststreet Hedge General Partner Limited

Board of Directors

Robert J. Toole, C.A.
Managing Director
Creststreet Capital Corporation

Donna E. Shea, C.A.
Vice-President, Finance and
Chief Financial Officer
Creststreet Capital Corporation

Aaron C.B. Maybin
Vice-President
Creststreet Capital Corporation

Officers of the General Partner

Robert J. Toole, C.A.
President and Chief Executive Officer

Donna E. Shea, C.A.
Vice-President, Finance and
Chief Financial Officer

Aaron C.B. Maybin
Vice-President

Sheryl Chiddenton
Secretary and Treasurer

Prime Broker

Scotia Capital Inc.
Toronto, Ontario

Legal Counsel

McCarthy Tétrault
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